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SUBJECT: SCENESETTER FOR BULGARIA'S JUNE 25 GENERAL ELECTIONS

Ref: (A) SOFIA 808, (B) SOFIA 838, (C) SOFIA 859, (D) SOFIA 931

1. (SBU) SUMMARY: Bulgaria holds general elections on June 25, the sixth since communism collapsed in 1989. The election will likely come down to a race between the ruling National Movement for Simeon II (NMSS) and the Bulgarian Socialist Party (BSP). The NMSS began the 30-day official campaign on May 25 as an underdog, closing on the Socialist's lead. However, recent polls show both BSP and NMSS gaining votes, but the BSP lead remains intact. At this stage, most analysts believe no one party will receive a clear majority and a coalition government will lead Bulgaria towards EU membership in 2007. Numerically, a coalition between the BSP and the ethnic Turkish Movement for Rights and Freedom (MRF) is a growing possibility. Also possible are coalitions of the left or right headed by current PM Simeon Saxe-Coburg Gotha, although Simeon recently stated his party would not back a BSP-led government. Post-election jockeying will determine the ultimate "winners" of this election - possibly several weeks after the vote. END SUMMARY

#### KEY CONTESTANTS

2. (U) Twenty-two parties and coalitions are running, but reliable recent polls suggest only six have a realistic chance of entering parliament.

3. (SBU) THE BULGARIAN SOCIALIST PARTY (BSP): Since its ouster from power by mass protests over mismanagement of the economy in 1997, the BSP is slowly reforming as a modern social democratic party similar to others across Europe. Under the leadership of 39-year-old Sergei Stanishev the BSP has walked the tightrope between endorsing Euro-Atlantic values and pleasing its base of elderly communists. Its reform efforts have been supported by the performance of President Georgi Purvanov, the former BSP leader who enjoys broad popularity. The widening gap between the reformist leadership and the party grass roots, and the lack of experienced people for top state posts are seen as the serious problems for a possible BSP government (Ref. A). Unlike other parties, the Socialists have pledged an immediate withdrawal of Bulgaria's troops in Iraq should they come to power (Ref B).

4. (SBU) THE NATIONAL MOVEMENT FOR SIMEON II (NMSS): Saxe-Coburg's movement swept to power in the 2001 elections with 43 percent of the vote, allowing the former monarch to regain power as prime minister. The coalition government of the NMSS and the ethnic Turkish MRF is only the second Bulgarian post-communist cabinet to complete a full four-year term. It achieved robust economic growth, lowered unemployment and secured a NATO entry. But the party has not converted its successes into public support. Since 2001, the NMSS has been hit by infighting and defections which eroded its parliamentary group to 97 MPs from 120. After a sharp drop in support over the first three years, support for the NMSS has increased recently as the country prepares to join the EU in 2007 (Ref C). Simeon's government has a respectable record, especially in comparison with its predecessors: Zhan Videnov's BSP government ruined the economy; and Ivan Kostov's center-right cabinet was associated with high-level corruption. As in 2001, Simeon's name does not appear on the party list, and he has not said what he intends to do if his party's results fail to position him to keep the PM's job (Ref D).

5. (SBU) THE CENTER-RIGHT PARTIES: Center-right leaders have failed to overcome personal and political differences, and their parties go to the polls weak and fragmented. The Union of Democratic Forces (UDF), the center-right group that led post-communist changes in Bulgaria, has been in opposition since its bitter defeat in 2001. The UDF government of Ivan Kostov achieved macroeconomic stability and won an EU invitation, but lost popular support amid widespread allegations of corruption. The UDF has been torn by high-profile rows between its leaders that led to the formation of two new groups. Sofia's popular Mayor Stefan Sofianski launched in 2001 a party called the Union of Free Democrats (UFD). Last year Kostov left the UDF to form the Democrats for Strong Bulgaria (DSB). The UDF, now led by former Foreign Minister Nadezhda Mihailova, is third in the polls and likely to enter parliament. However, chances are uncertain for Kostov's DSB, and Sofianski's UFD. Sofianski's image has been marred by ongoing court proceedings over allegations of corruption, while Kostov suffers from high negative ratings.

6. (SBU) THE MOVEMENT FOR RIGHTS AND FREEDOMS (MRF): A party of Bulgarian ethnic Turks that makes up around 10 percent of the population, the MRF is the junior partner in the NMSS government. The MRF and its leader Ahmed Dogan have emerged as powerbrokers as

the ex-king's government depends on its support in parliament to stay in power. Many believe the ethnic Turkish party, which won 7.5 percent of the vote in 2001 and has 20 seats in parliament, has gained influence in the government disproportionate to its representation. Until recently, the MRF has had an almost complete monopoly on the ethnic Turkish vote. For these elections, however, two smaller groups are also vying for the Turkish vote and could erode the MRF's support. The MRF could again play a key role in creating the next government.

#### POSSIBLE SCENARIOS

17. (SBU) The elections are being hotly contested, but a landslide victory by any side is less likely than in previous votes. The gap between the Socialists and the NMSS had been narrowing somewhat, but latest polls show support to have flattened and the BSP retains a significant lead. At this stage the BSP seems to be in the best position to emerge as the biggest parliamentary faction. Whether the BSP can garner an absolute majority is less certain. Under Bulgaria's complex proportional representation system, a low turnout favors the better-organized Socialists who have the most solid electorate, compared with NMSS' weak local structures. On the other hand, the BSP has not appealed to voters outside its base in the past, while the NMSS may attract centrist and undecided voters as well as disillusioned rightwing supporters. If the BSP fails to win an absolute majority they will be forced to seek a coalition with the ex-king's party or with the ethnic Turkish MRF. A BSP-MRF coalition, unfortunately, would be highly susceptible to outside influences and special interests. It would be a comfortable ideological fit, but the personalities involved might make it difficult in operation.

18. (SBU) If the NMSS narrows the gap with the BSP it could hold the key to the formation of the next government as either a partner in a center-left government, or the leading force in a disparate center-right coalition. The past four years have shown the moves of the enigmatic ex-king are difficult to predict. Given Simeon's style and track record, it is unclear whether his recent statement that his party would not back a BSP-led government is pre-election posturing aimed to attract the soft center-right electorate, or a hard political position. An NMSS coalition with the Socialists could secure a more stable parliamentary majority but would be a tough historic compromise for Simeon since the BSP's forebearers forced the royal family out of Bulgaria 50 years ago. Although a center-right government led by Simeon is less likely according to current polls, it is still possible and a more natural ideological choice for Simeon.

#### COMMENT

19. Bulgaria has not had a Socialist government since demonstrations ousted Zhan Videnov's cabinet in 1997. Since then, two consecutive reformist governments have stabilized the economy and set the country firmly in the Euro-Atlantic orbit. Most analysts believe additional reforms are critical, but some doubt the Socialists, who spent eight years in opposition, are capable of mustering a team qualified to implement them. Some doubt the BSP's commitment to sustaining fiscal discipline and attracting foreign investment, given their lavish social pledges and comments against key privatizations. Bulgarians have proven to be irrational voters with short memories of the political past, tending to back the party that has been longest out of power. The memories of the 1996/97 economic crisis have faded and the BSP is now broadly associated with its young leader and the popular President. The aging population, which is active in the polls and forms the BSP base, also backs the case for a Socialist victory. Unlike previous elections, the real "winners" may not emerge on election night and much will depend on post-election coalition talks.

10. TABLE: Alpha Research polling agency nationwide survey.

Party	May 29-June 3, 2005	(%)
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BSP		27.5
NMSS		14.6
UDF-DP-St.George's Day		7.4
MRF		5.2
UFD (Sofianski)-BANU-IMRO		3.6
DSB (Kostov)		3.4
Others		7.0
Have not decided		10.0
Will not vote		21.3

In case of a 60-percent voter turnout, the BSP would win 108 MPs, the NMSS - 56, UDF - 29, MRF - 20, Sofianski's coalition - 14 and DSB - 13. Majority in the 240-seat parliament requires 121 seats.